

# **The Division of Health Care Finance and Policy**

## **Adult Day Health Cost Report Directions**

The Division of Health Care Finance and Policy will use the Adult Day Health Cost Report to establish rates for adult day health providers and to complete additional analyses to inform policy-making. Once filed with the Division, these reports become public documents and will be provided upon request to any interested party.

### **Who Must File**

Adult Day Health providers that participated in the MassHealth (Medicaid) program for the reporting year.

### **Exemptions**

The following types of Adult Day Health programs will be exempt from the filing requirement:

- Those that are hospital-owned
- Those that have not been in business for the full year of the reporting period.

For the latter category, please submit a written exemption request to:

Peg O'Brien  
Intake Manager  
Division of Health Care Finance and Policy  
2 Boylston St.  
Boston, MA. 02116

### **What To File**

Providers should file via the Division of Health Care Finance and Policy's Internet-based cost report. The report is available on DHCFP's website ([www.mass.gov/dhcfp](http://www.mass.gov/dhcfp)), but requires pre-authorization. If for some reason, your agency has not already registered for access, please call Peg O'Brien at (617) 988-3150 or [peg.obrien@state.ma.us](mailto:peg.obrien@state.ma.us)

If your agency does not have the means to file via the Internet, contact Ms. O'Brien.

Agencies should use the accrual basis of accounting.

### **Financial Statements**

A set of financial statements for the reporting period must be filed in conjunction with the report itself. The Division reconciles the data reported on the cost report with the financial statements. Since the INET application of the Adult Day Health Cost Report does not incorporate financial

statements, these must be mailed concurrently with the electronic submission of the actual report, and mailed to:

Jessica McKeage  
Intake  
Division of Health Care Finance & Policy  
2 Boylston St.  
Boston, MA 02116

### **When To File**

All providers with fiscal year end dates between January 1, '09 and June 30,'09 will have a due-date of September 15, 2009.

### **Extensions**

One month extensions for filing are available for good cause. A written request is necessary, preferably via email using Ms. O'Brien's above address. Please include the agency's FAX number in the request (whether the request is by e-mail or postal) so that the Division can FAX its response.

### **Schedule A: General Information**

Complete each applicable section.

### **Schedule B: Patient Census Information/Statement of Occupancy/Operations Information**

#### **Patient Census**

Census Counts: enter the total visits for each applicable service (Basic, etc.)

Total Days of Operation: enter the number of days for the year where the center was physically open for the service.

Absence: enter the difference between the total number of clients booked and the total number of clients that physically arrived at the center.

Total Unplanned Closings: enter the number of days that the center had to close operations due to such events as snow days or conditions that were beyond the control of the center.

#### **Operations Information**

Hours per week: enter the number of hours per week that constitutes full-time employment at the

agency. This is typically 40 hours, or less.

The box situated below the first box will calculate the number of hours/year which corresponds to the answer for hours/week.

Hours of service: entries here must provide four numbers/letters each for the From and To boxes. An example:

Monday	From	To
	08AM	04PM

### **Schedule C: Transportation**

Client transportation expense: travel expense to and from the center, on behalf of clients. Only client-based travel expense should be recorded on Schedule C.

(Other transportation expenses, such as mileage paid to administrative staff, should be included in the transportation line item on schedule E).

Client transportation billed (Medicaid): the total amount of fee-for-service expense directly reimbursed, at least when all of the client transportation is provided by an outside vendor. It is possible that when at least some of the transportation is provided by the agency, that total client transportation expenses might be less than what is billed Medicaid.

Total Cost: all client transportation expense including private pay expense.

Agency-Provided expense: transportation expense incurred when the agency itself provides the transport (i.e., use of an agency van). This must be reported in detail according to the categories of expense provided.

Any program that records Schedule C "Total Client Transportation" expense but does not record applicable MassHealth transportation revenue on Schedule G (Revenue), Part 1, Statement of Income, next to "Medicaid Transport", will be unable to submit the cost report via INET (an error message will appear when attempting to submit).

### **Expense Information (Schedules D, E, F)**

This section of the cost report consists of Schedule D, "Staffing Information;" Schedule E, "Statement of Expenses;" and Schedule F, "Statement of Basis of Allocated Costs." These schedules request cost information for both the adult day health center, and, if applicable, the overall parent organization. The information for the entire agency will facilitate the accurate allocation of costs that cannot be allocated on a direct basis to the adult day program.

### **Bases of Allocations**

The Division provides the following acceptable methods for allocating general ledger expenses to the three potential cost centers of a parent agency (Agency Administration, Adult Day Program, and Other Programs).

Schedules D (Staffing) and E (Statement of Expense) contain drop-down buttons indicating each method with a capital letter-designation, as noted below.

Wherever possible, the Direct Expense Basis should be used.

The following section describes each method and provides the identifying letter.

- D - Direct Expense Basis - Any cost that can be isolated as applying only to adult day, or only to other programs, should be entered directly into that cost center.
- H - Hours of Service Basis - Compensation expense that cannot be allocated directly is allocated by the percentage of time spent in each cost center. (Applies to Schedule D).
- S - Square Footage Occupancy Basis - Space occupancy costs and maintenance and housekeeping salaries that cannot be allocated directly are allocated on the basis of the percentage of square footage occupied by each cost center. If the Adult Day cost can be allocated on a direct basis (e.g., rent for a separate building), the balance of the cost is allocated between the other two cost centers (if it applies to both) based on the percentage of square footage occupied by each remaining cost center out of the total. The square footage percentages for both cases are calculated in Schedule F, Part 1.
- O - Operating Expense Basis – in cases where administrative expenses apply only to the agency as a whole, or cannot be allocated directly, allocate on the basis of the percentage of each cost center's operating expense of the total agency's operating expense. These percentages are calculated in Schedule F, Part 3.  
[Note: each applicable expense would appear in Column (3), “Agency Administrative Expense”, and would be auto-summed in line 27. On the basis of Schedule F, Part 3, an automatic allocation would occur to Columns (4) and (5)].
- C - Compensation Expense – use this method in cases where an administrative line item expense applies to all three cost centers, but the costs of the adult day program can be entered on a direct basis (e.g., a separate telephone system). Allocate the balance of that expense between Agency Administration and Other Programs, based upon the percentage of compensation expense of each remaining cost center out of the total of the two. Schedule F, Part 2 will provide these percentages.

Please contact the Division if the agency has another method that more accurately depicts how its resources should be allocated.

An allocation example appears at the end of these instructions, in appendix A.

## **Schedule D: Staffing Information**

Complete Schedule D for all categories of staff that worked in the adult day program during the reporting period. This includes:

1. Staff on the adult day payroll
2. Staff on the parent agency payroll
3. Purchased direct-care staff (i.e., outside vendors or agencies not employed by the adult day program or the parent agency)
4. Donated personnel (i.e., volunteers who worked in positions that would normally be occupied by paid personnel. Each non-paid worker's qualifications must be comparable to those of paid workers.)

### **Reporting ADH and Non-ADH Positions on Schedule D**

#### *ADH Positions:*

The available position categories may not represent every position type within a specific ADH program. Examples could be “Executive Director”, “Transportation Coordinator”, or “Dispatcher”. Use “Specify Other Info” appearing within the tab “Columns 1-5” to capture these.

Note: staff who are “social workers”, but are not L.S.W.’s, L.C.S.W.’s, or L.I.C.S.W.’s, may best fit in the “Program Assistants” category rather than in the “Other” category.

#### *Non-ADH Positions:*

The Division prefers that the “Specify Other Info” category in multi-service agencies be used to capture all staff not involved at all in ADH. For example, other “Program Directors” could be consolidated here with other “Clerical”, other “Registered Nurses” etc.

Another acceptable method would be to assign the same position types (various Program Directors, for example) into the staff categories provided for ADH positions. Position types that don’t match available position categories would be inserted in the “Specify Other Info”. Remember that those positions not involved in ADH would not be represented in the actual ADH portion of Schedule D.

### **Reconciliation to the Financial Statements**

The Division seeks verification that agency staff totals reconcile to the agency’s Financial Statements. Also, the detail for the Adult Day Health program must be completed where requested.

#### **Direct Care Staff**

Examples of position titles in adult day health which may be considered direct care (providing they meet MassHealth’s standards) include: Program Director, Registered Nurse, Licensed Practical Nurse, Activities Director, Social Worker, Program Assistant, and Aide. Please group employees by job title. If a position has split responsibilities between direct care and administrative function, to the salaries and FTEs must be reported appropriately on Schedule D.

Instructions are presented below for each column of Schedule D.

#### Columns 1 - 5    Total Agency - All Programs

These columns are for compensation expenses and hours for staff in all the programs of the parent agency, including adult day. If the adult day program is independent of any parent organization, the information in these columns would be simply that of the adult day program.

Columns (1), (2), (3) - Enter the gross salaries, employee benefits, and payroll taxes for each staff category, for all programs in the agency, for the fiscal year. The following definitions apply:

**Payroll Taxes:** expenditures for taxes for payment of wages, i.e., FICA, Mass. Unemployment and Federal Unemployment Taxes.

**Employee Benefits:** expenditures for such items as health insurance, retirement plans and life insurance.

(Note: Worker's Comp. belongs on Schedule E, where indicated, not on Schedule D.)

Column (4) - Total Expense – Column (4) will automatically sum Columns (1), (2), and (3).

Column (5) - Total Hours Compensated - Enter the total hours for which the employee(s) were paid for all programs in the fiscal year. Include hours worked as well as hours for paid time off, such as vacation, holiday, sick and other benefit time. This total should represent the number of hours equivalent to the number of hours paid. Hours worked beyond compensated time should not be recorded.

#### Column (6) - Adult Day, Total Hours Compensated

Column 6 should be completed in a similar manner to Column (5) but only compensated ADH hours should be recorded.

Enter the total hours for which the employee was compensated in the reporting year for adult day services only. If the employee's time is 100% in Adult Day, this would be based on the payroll information. If not, the hours should be allocated from the agency based on a time study or on the program director's knowledge of how many hours per week and weeks per year the employee spends in the adult day program. (IMPORTANT: A dollar amount should be imputed for donated services, and the hours and FTE's must be reported. Also, use Column 17 ("Donation Source") to indicate how the dollar amount was calculated).

#### Columns (7a and 7b) - Adult Day, FTE

Calculate the full-time equivalency in the adult day program for each employee by dividing Column (6), "Total Hours Compensated," by the number of full-time hours reported on line 1 of Schedule B, "Operations Information".

For example, if the person is compensated for 1040 hours in adult day health, and full time is considered to be 2080 hours (40 hours per week x 52 weeks), then the person represents .5 FTE. The FTE then needs to be classified in the correct column or columns, as an administrative or direct care FTE. In some cases, providers split the FTE between the two in a proportion that mirrors the split in functions for the staff member.

The Division expects that every filing program will show some FTE administrative time in Column 7a applicable to program direction and oversight. Most often this would apply to "Program Director(s)", but may apply to other positions, such as "RNs", or under "Other", where perhaps an Executive Director may fulfill this role. Remember that a salary equivalent must appear in Column 12 ("ADH Expense Admin") to match the FTE equivalent in Column 7a.

**Failure to include administrative FTE time for program direction will automatically prevent the provider from successfully submitting the report via the INET (an error message will appear).**

Salary equivalents (Columns 12, 13) must match with the respective FTE indicated in Columns 7a, 7b.

#### Column (8) - Percent Adult Day Hours

This Column auto-calculates this percentage by dividing Column (6) "Total Hours Compensated" (in ADH) by Column (5) "Total Hours Compensated" (total agency), and multiplying by 100. This figure is designed to assist in the allocation of salaries of employees who split their time between adult day and other agency programs. [See Column (10)]

#### Column (9) - Agency Expense

This column automatically carries over the entry from Column (4), "Total Expense", for each employee type.

#### Column (10) - Basis of Allocation

Enter the method to be used to allocate the compensation expense in Column (9) to Columns (11), (12), and (13). Enter also the percentage of the allocation. Basis of allocation includes direct expense, hours of service, square footage occupied and operating expense.

#### Column (11) - Total Agency Administration

This includes only the compensation expense of executive staff (Executive Director, Assistant Director, Medical Director, Clinical Director, Controller), and clerical and support staff (secretaries, medical records personnel, billing clerks, drivers) whose services apply to the entire agency. It does not include administration staff of individual programs whose salaries can be allocated directly to those programs. For those administrators who spend a portion of their time in direct client care, only the portion of the employee's salary corresponding to the time spent in the management position

should be included under "Administration."

If the administrative employee spends 100% of his or her time in administration, then the salary should be entered under Column (11). If the employee splits time between agency administration and adult day or other programs, the expense should be allocated on the basis of hours of service in each. All of the costs in Column (11) will be summed and further allocated to Adult Day and Other Programs on Schedule E, line 27, on the basis of operating expense.

#### Column (12) - Adult Day Administration

Allocate on a direct basis the compensation expense of executive staff and clerical and support staff spending 100% of their time in adult day. If they split their time between adult day administration and adult day direct care, agency administration or other programs, allocate on the basis of hours of service. Do not allocate agency administrative salaries from Column (11) to adult day, as they will be allocated in Schedule E on the basis of operating expense.

Also included in this column is maintenance and housekeeping staff, which should be entered directly if they provided services only to adult day. If not, they should be allocated on the basis of percent of square footage occupied by the adult day program relative to the total agency. This percentage is derived from Schedule F, "Square Footage Basis".

#### Column (13) - Adult Day Direct Care

This includes the compensation expense of direct care provider staff. If they spend 100 % of their time in adult day, their expense is entered directly. If they split their time between direct care in adult day and time in other programs, the basis is the percentage of hours from Column (8).

#### Column (14) - Total Adult Day Expenses

Enter the sum of Columns (12) and (13).

#### Column (15) - Total Other Program Expense

Enter compensation expense of all staff in other programs. Include those who split their time between these programs and adult day or agency administration, allocating their expense on the basis of hours of service.

#### Columns (16)

These columns split the amount in Column (14) into compensation expense actually paid by the adult day program or total agency, and expense which is donated by some other source (e.g., volunteer services). Please note: if you have "donated staff", include only those who provide 20 hours or more per week.

#### Columns (17) - Donation Source



Enter the source of the donation (e.g. DMH, EOE, or some other source).

### **Schedule E - Statement of Expense**

Schedule E requests total cost information for the agency as a whole, with a breakout for the adult day program, other programs, and, in cases where there are other programs, "Agency Administrative Expense". Instructions follow for each column, in addition to definitions for each line item expense.

#### **Column (1) - General Ledger, Parent Agency**

Entering data into Columns (3), (4), and (5) will result in an auto-calculation for the general ledger expense for the whole parent agency for each line item.

#### **Column (2) - Basis of Allocation (See example at end of this document)**

Enter the method and the percentage of the basis for allocating the general ledger expenses to the three cost centers - Agency Administration, Adult Day Program, and Other Programs [Columns (3), (4), and (5)].

#### **Column (3) - Agency Administrative Expense**

Enter here administrative salaries, other direct administrative costs, and general overhead costs that apply to the agency as a whole. This includes expenses that cannot be allocated to the three cost centers on either the direct, hours of service, or square footage basis. Thus the salary expense of the adult day program director falls under "Total Adult Day Expense," Columns (4), and not under "Agency Administration," Column (3).

#### **Column (4) - Adult Day Expense**

This includes all costs that apply to adult day. These costs are allocated from Column (1), General Ledger on a direct hours-of-service, or square footage basis. (Agency administrative costs are summed and allocated to the adult day program and other programs on the basis of operating expense, at the bottom of Schedule E.)

#### **Column (5) - Other Program Expense**

This includes all costs that apply to programs other than day health; allocate from Column (1) on the appropriate basis.

#### **Column (6) - Total Outside Entity Expenses.**

Occasionally a provider will earn additional income, and incur expenses, by providing services to entities outside of the parent agency. These entities are not part of the parent agency ledger. They might be programs per se, such as an outpatient mental health program, or something very different like real estate development work, or development work for specialized schools. We require the operating expenses of the entity(ies) to appear on Schedule E, line 26. As a result, the administrative

allocation for the ADH program and any “Other Programs” of the parent agency will be affected because part of the administrative allocation will need to be allocated to these outside activities. Schedule F of the cost report gives instructions for allocations of administrative expenses.

The following expense definitions apply to Schedule E.

1. Staff Expense - Totals from Schedule D, Columns (9), (11), (14), and (15) are automatically carried to columns (1), (3), (4), and (5) of Schedule E.
2. Legal and Accounting - necessary and reasonable, legal and accounting expenses including: computer processing and auditing services, incurred by a provider in matters directly related to the provision of adequate patient care.
3. Purchased Services - all direct purchased services including but not limited to restorative services, such as MassHealth required consultative services.
4. Advertising and Recruiting - newspaper, radio, or other advertisement used to recruit personnel.
5. Telephone, Internet expense.
6. Office Supplies - administrative supplies including postage, which are consumable items. Rental or leasehold of office equipment should be specified under Indirect Purchase Service.
7. Interest Mortgage (only) - interest on a Mortgage Payable for buildings used for patient care. This interest may not exceed the amount which would be allowable depreciation. Mortgage principal payment is not an allowable expense.
8. Interest Other - necessary and proper interest on both current and capital indebtedness. This does not include Mortgage Interest.
9. Rent – facilities-only rent. Rental and leasehold expenses should be included as reasonable operating cost to the extent of prevailing rentals for comparable properties in the area. The expenses should not exceed the amount that would be allowable if the provider owned the facilities and claimed the allowable depreciation.
10. Maintenance Expense - supplies for maintenance and housekeeping functions. Contract cleaning services should be recorded under Indirect Purchased Services.
11. Utilities - items such as gas, electricity, fuel and water.
12. Depreciation: Automobile - depreciation of transportation vehicles, using the straight-line method in conformity with the useful lives stated in the American Hospital Association of Accounts. If the vehicle is not used exclusively for patient transportation service, please specify the percentage usage for patient and for other.

13. Depreciation: Building- depreciation of buildings based upon accepted accounting principles using the original acquisition cost and/or donated value, if title is held by the facility. The straight-line method should be applied in conformity with the useful lives stated in the American Hospital Association chart of Accounts.
14. Depreciation: other - all other depreciation; (use the same standards as previously described)
15. Recreational Supplies - the expense of recreational supplies that are needed to fulfill the program requirements.
16. Other supplies - supplies not accounted for in previous lines.
17. Food - food supplied to patients as part of the adult day program.
18. Indirect Purchased Services - purchased services other than direct adult day services (such as housekeeping, security, etc.) from outside vendors or agencies not employed by the center.
19. Insurance – insurance items, such as worker's compensation, fire, liability, bonding and malpractice insurance purchased by the facility. [Note: health insurance should be included in benefits on Schedule D]
20. Transportation (Expense) - agency transportation services. Exceptions: Depreciation of vehicles owned by the agency or program should be recorded in line 12 (Depreciation - Transportation Vehicles) and Client Transportation provided by an outside vendor should be recorded on line 29.
21. Management Fees – fees paid to a management corporation.
22. Donated Space - the imputed, fair market value of donated space determined by the valuation per square-foot, which reflects comparable costs in the area where the facility is located.
23. Other Donations - the imputed, fair market value of non-personnel services (e.g., computer services), equipment, or supplies that are acquired without the agency or day health program making any payment in the form of cash, property, or provision of services. (Donated salaried positions are accounted for in Schedule D.) Valuation of donations must be at fair market value.
24. Bad Debt - non-payment for services.
25. Other- Specify - please specify each cost.
26. Total Operating Expense - enter total of each column.

27. Administrative Allocation - the administrative allocation for the adult day health program and other programs, calculated in Schedule F, Part 3, will automatically fill line 27. Remember that line 27 must be completed for Column 6 if Column 6 is applicable to the agency.
28. Total Expense: lines 26 and 27 should automatically add together with the total appearing in line 28, Columns (4) and (5), and Column (6) if applicable.
29. Outside Vendor Expense from Schedule C should automatically fill line 29, Column (4).

\*\*\* (Total ADH Exp. must tie to the HCF-1, line 8040: or must tie to appropriate Division of Health Care Finance & Policy cost report.)

### **Schedule F - Calculation of Allocation Bases**

The allocation bases of square footage, operating expense, and compensation expense are calculated in Schedule F, "Statement of Basis of Allocated Costs." In the case of the operating expense basis (Part 3), the allocation itself is also calculated. Instructions are provided on the schedule. \* Note: Examples are on the following page.

### **Schedule G - Revenue Information**

The final Schedule in the cost report is the Statement of Revenue. Part 1 contains a Statement of Income; Part 2 is for unrestricted grants, gifts and donations; Part 3 restricted grants, gifts and donations; Part 4 is other income.

### **Certification Page**

Once all data has been entered on the applicable schedules and the agency is ready to submit the report to the Division, the actual filer must click on the "[Submit ADH Report](#)" link in the left Navigation pane. A screen will appear that has automatically filled in the authorized user's name, attesting to the truth, accuracy and completeness of the report. Please consult the User Guide for the INET application in order to complete the actual submission to the Division.

## Appendix A: Allocation Example

The following is an overview of the allocation methods to be used in the Adult Day Health Cost Report.

The Reporting Year Adult Day Health Center Cost Report is formatted so that all of the costs of the entire agency (including donations) are reported in Schedule E, "Statement of Expenses," under Column (1) - General Ledger, Parent Agency, in Lines 1-25. Each of these line items must be allocated, as applicable, to the cost centers of Agency Administrative Expense, Total Adult Day Expense, and/or Total Other Programs Expense [Columns (3), (4), and (5), respectively]. The bases for allocating the costs are:

- D - Direct Expense
- H - Hours of Service
- S - Square Footage Occupied
- O - Operating Expense
- C - Compensation (Staff) Expense

Which of these bases should be used depends upon which of the following cases apply.

### Case I - Direct Expense Allocation

Whenever a portion of a general ledger expense can be isolated and documented as applying only to the day health program, it should be entered directly ("D" basis) to the Adult Day Treatment column. The allocation of the balance of that expense depends on which of the following cases apply.

- A. If the balance of the expense can be isolated as applying to Agency Administrative and/or Other Programs, it should be allocated between them directly. Medical supplies and travel represent costs that might be allocated in this way. The "D" in the drop-down for column (2) on Schedule E would indicate this allocation example.
- B. If the balance cannot be allocated directly, follow the direction below.
  - 1) Space occupancy cost. The Square Footage basis, "S" should be used if the cost represents space occupancy (building, utilities, etc.) or maintenance/housekeeping staff cost. These percentages are calculated in Schedule F, Part 1. Since this allocation is only between Agency Administrative and Other Programs, use the "Allocation between Two Cost Centers" percentages in Schedule F, Part 1.
  - 2) Other than space occupancy cost. The Compensation Expense basis, "C", should be used (e.g., telephone expense). These percentages are derived in Schedule F, Part 2.

In both of these cases, multiply the percentages by the difference between the General Ledger amount and the Adult Day Health amount, and enter the resulting allocation to Columns (3) and (5).

#### Case II - Other than Direct Expense Allocations

If the Adult Day treatment expense has not been allocated on a direct basis, the allocations should be as follows:

<b>Basis</b>	<b>Source</b>	<b>Costs</b>
H – Hours of Service	Time study or best estimate	All staff except maintenance and housekeeping (see Schedule D)
S – Square Footage Occupied	Schedule F, Part 1	Space occupancy costs, including donated space, maintenance, and housekeeping staff expense.
O – Operating Expense	Schedule F, Part 3	All other costs

These allocation methods are identified for each line item in the drop-down for Schedule E, Column (2), but again, the direct expense basis takes precedence when possible.

When allocating costs based on Operating Expense, the costs should be entered under Agency Administration, Column (3), only. Do not allocate further to Columns (4) and (5), as this will be done automatically at line 27.